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AFFIDAVIT OF WILLIAM H. LEHR

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"ISDN: an Economists' Primer to a New Telecommunications Technology", working paper, February 1989.

**WORK in PROGRESS**

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"Political Economics of Voluntary Standard Setting", working draft, January 1992.

Exhibit 2: Market Impact of Foreign Entry

*"Foreign carrier acquires 10% of US market and stimulates \$0.10 per minute price cut"*

	Base case: before entry		Post-entry: after price cut		
	US industry	Foreign Carrier	US industry (except foreign sub)	US-based foreign subsidiary	Foreign carrier
<b>Revenues</b>					
Outbound traffic	\$400,000		\$317,250	\$ 35,250	
Settlements		\$250,000			\$293,750
Resale revenue					
<b>Costs</b>					
Wholesale costs	\$100,000	\$100,000	\$105,750	\$ 11,750	\$117,500
Retail-level costs	\$ 50,000		\$ 52,875	\$ 5,875	
Settlements	\$250,000		\$264,375	\$ 29,375	
Reseller costs					\$117,500
Total Costs	\$400,000	\$100,000	\$423,000	\$ 47,000	
Excess profit(loss)	\$0	\$150,000	(\$105,750)	(\$ 11,750)	\$176,250
<b>Assumptions:</b>					
Minutes outbound <sup>1</sup>	1,000,000		1,057,500	117,500	
Wholesale costs <sup>2</sup>	\$0.10				
Retail-level costs <sup>2</sup>	\$0.05				
Settlement rate <sup>2</sup>	\$0.25				
Wholesale price <sup>2</sup>	\$0.35				
Resale price <sup>2</sup>	\$0.40		\$0.30		
Elasticity	0.7				
Share US Market	100%		90%	10%	

<sup>1</sup> Price cut of \$0.10 is 25% price cut. With elasticity of 0.7, this stimulates 175,000 additional minutes. For ease of computation this example ignores inbound traffic.

<sup>2</sup> Per minute.

Exhibit 3 : Market Impact of Foreign Entry via resale

*"Foreign carrier acquires 10% of US market and stimulates \$0.10 per minute price cut"*

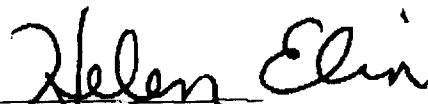
	Base case: before entry		Post-entry: after price cut entry via resale		
	US industry	Foreign Carrier	US industry (except foreign sub)	US-based foreign subsidiary	Foreign carrier
<b>Revenues</b>					
Outbound traffic	\$400,000		\$317,250	\$ 35,250	
Settlements		\$250,000			\$293,750
Resale revenue			\$41,125		
<b>Costs</b>					
Wholesale costs	\$100,000	\$100,000	\$117,500		\$117,500
Retail-level costs	\$ 50,000		\$ 52,875	\$ 5,875	
Settlements	\$250,000		\$293,750		
Reseller costs				\$ 41,125	\$117,500
<b>Total Costs</b>	\$400,000	\$100,000	\$464,125	\$ 47,000	
<b>Excess profit(loss)</b>	\$0	\$150,000	(\$105,750)	(\$ 11,750)	\$176,250
<b>Assumptions:</b>					
Minutes outbound <sup>1</sup>	1,000,000		1,057,500	117,500	
Wholesale costs <sup>2</sup>	\$0.10				
Retail-level costs <sup>2</sup>	\$0.05				
Settlement rate <sup>2</sup>	\$0.25				
Wholesale price <sup>2</sup>	\$0.35				
Resale price <sup>2</sup>	\$0.40		\$0.30		
Elasticity	0.7				
Share US Market	100%		90%	10%	

<sup>1</sup> Price cut of \$0.10 is 25% price cut. With elasticity of 0.7, this stimulates 175,000 additional minutes. For ease of computation this example ignores inbound traffic.

<sup>2</sup> Per minute.

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I, Helen Elia, do hereby certify that on this 9th day of July, 1997 a copy of the foregoing "Comments" was mailed by U.S. first class mail, postage prepaid, upon the parties on the attached service list:

  
Helen Elia

## SERVICE LIST

Ambassador Vonya B. McCann  
United States Coordinator  
Bureau of International  
Communications and  
Information Policy  
Department of State  
Room 4826  
2201 C Street, N.W.  
Washington, DC 20520-1428

Joan Donoghue  
Assistant Legal Adviser for  
Economic, Business and  
Communications Affairs  
Office of the Legal Adviser  
2201 C Street, N.W.  
Department of State  
Washington, DC 20520-6310

Robin R. Layton  
ITA  
Department of Commerce  
Room 4324  
14th St. & Constitution NW  
Washington, DC 20230

Richard Beaird  
Bureau of International  
Communications and  
Information Policy  
Department of State  
Room 4836  
2201 C Street, N.W.  
Washington, DC 20520-1428

Steven Lett  
Bureau of International  
Communications and  
Information Policy  
Department of State  
Room 4826  
2201 C Street, N.W.  
Washington, DC 20520-1428

Anthony Cina  
Bureau of International  
Communications and  
Information Policy  
Department of State  
Room 4826  
2201 C Street, N.W.  
Washington, DC 20520-1428

Gary Couey  
Bureau of International  
Communications and Information  
Policy  
Department of State  
Room 4826  
2201 C Street, N.W.  
Washington, D.C. 20520

Shirl Kinney  
Deputy Assistant Secretary  
for Communications and  
Information  
NTIA  
Department of Commerce  
Room 4898  
14th Street & Constitution, N.W.  
Washington, D.C. 20230

Suzanne Settle  
 Senior Policy Advisor  
 Department of Commerce NTIA  
 Room 4701  
 14th St. & Constitution, N.W.  
 Washington, DC 20230

Jack Gleason,  
 Acting Administrator  
 Office of International  
 Affairs  
 Department of Commerce NTIA  
 Room 4701  
 14th St. & Constitution, N.W.  
 Washington, DC 20230

Larry Irving  
 Assistant Secretary for  
 Communications and  
 Information  
 Department of Commerce NTIA  
 Room 4898  
 14th St. & Constitution, N.W.  
 Washington, DC 20230

Barbara Wellberry  
 Chief Counsel  
 Department of Commerce NTIA  
 Room 4713  
 14 St. & Constitution Ave. NW  
 Washington, DC 20230

Cathleen Wasilewski  
 Attorney Advisor, Office of  
 Chief Counsel  
 Department of Commerce NTIA  
 Room 4713  
 14th St. & Constitution N.W.  
 Washington, DC 20230

John Dalton  
 Secretary of the Navy  
 Office of the Secretary  
 Department of the Navy  
 The Pentagon  
 Washington, DC 20310

Dr. James E. Soos  
 Deputy Assistant Secretary  
 of Defense for C3  
 Room 3E194  
 6000 Defense Pentagon  
 Washington, DC 20301-6000

Carl Wayne Smith, Esq.  
 Code AR Defense Information  
 Systems Agency  
 701 South Courthouse Road  
 Arlington, VA 22204

Office of General Counsel  
 National Security Agency  
 9800 Savage Road  
 Fort Meade, MD 20755-6000

Robert S. Koppel  
 VP - Legal & Regulatory  
 Affairs  
 IDB Worldcom  
 15245 Shady Grove Road  
 Suite 460  
 Rockville, MD 20850-3222

John Scorce  
 MCI International, Inc.  
 1801 Pennsylvania Ave., N.W.  
 Washington, DC 20006

Gail Polivy, Esq.  
 GTE Hawaiian Telephone Company  
 1850 M Street, N.W.  
 Washington, DC 20036

Keith H. Fagan  
COMSAT Communications  
6560 Rockspring Drive  
Bethesda, MD 20817

Michael Fingerhut  
Leon Kestenbaum  
Kent Nakamura  
Sprint Communications  
Company L.P.  
1850 M Street, N.W.  
Washington, DC 20036